

Bulgaria: a demonstration of the multi-dimensional nature of the energy policy

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On 27–29 August, Bulgaria entered into a number of important energy agreements. A contract for preparing the feasibility study for the project to develop the Kozloduy Nuclear Power Plant was signed with the US-Japanese corporation, Westinghouse. The first licence for the exploration of hydrocarbons on the Bulgarian shelf of the Black Sea was also granted. The licence agreement for the Khan Asparuh block was signed by a consortium of the three European firms: Total, OMV and Repsol. Furthermore, the Bulgarian government signed a number of memoranda with Gazprom specifying in detail the technical and financial parameters of the construction of the Bulgarian section of the South Stream gas pipeline. An 11% discount on Russian gas prices for Bulgaria was set (retroactively, valid from April this year) in the contract which is due to expire at the end of this year, and it was announced that a new contract for supplies of Russian gas to Bulgaria would be signed before 15 November. Bulgaria also undertook to announce its final decision concerning the construction of the Bulgarian section of South Stream by that date.

Commentary

- Various factors appear to point to the fact that the centre-right government of Boyko Borisov has synchronised the dates of signing the agreements to emphasise the multi-dimensional character of its energy policy. Simultaneous co-operation with energy firms from Russia, the EU and the USA is supposed to be the hallmark of the policy of Borisov's cabinet. In this manner, the ruling party GERB wishes to make itself distinct from the parties which formed the preceding centre-left coalition, whose flagship was support for three energy projects implemented in close co-operation with Russia: the South Stream gas pipeline, the Belene nuclear power plant and the Burgas–Alexandroupoli oil pipeline. The Borisov cabinet withdrew from the two latter projects but it also blocked shale gas exploration, which the opposition had been calling for.
- It is almost certain that Bulgaria will soon agree to the construction of South Stream, which it sees as a project which strengthens its position as a regional energy hub and which does not clash with other projects (for example, Nabucco West). Furthermore, Sofia has still not signed gas contracts for the next year, which – given the lack of interconnectors – will force it to adopt a conciliatory stance in gas talks with Moscow. However, given the high priority Russia grants to the South Stream project, Bulgaria

stands a fair chance of being given favourable conditions of gas co-operation. In exchange for Bulgaria's quick consent to the implementation of South Stream, Russia may agree to grant preferential conditions of gas supplies to Bulgaria (no agents involved and a low price), and at the same time accept the Bulgarian request for Sofia's low financial engagement in South Stream.

- At the beginning of 2012, the consortium of OMV and ExxonMobil, which is engaged in work on the Romanian continental shelf, discovered huge deposits of gas (approximately 84 billion m³) in the direct vicinity of the area which is subject to Bulgarian licences. However, any possible production of hydrocarbons will take place in only in the distant future. It is also difficult to assess the chances for the development of the Kozloduy power plant, since the agreements with Westinghouse have only initiated the preparatory work. Furthermore, this project is burdened with high political risk. The opposition Bulgarian Socialist Party is campaigning for the resumption of the project to build the Belene nuclear power plant in co-operation with Russia (a referendum concerning this matter is due to be held soon). It also claims that the choice of Westinghouse (which is also the technology supplier) does not guarantee that the feasibility study for the development of the Kozloduy plant will be unbiased.